

ROSS HEALTH ACTUARIAL

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September 18, 2014

Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, DC 20036-4601

Re: ASOPs – Public Pension Plan Funding Request for Comments

Dear Board Members:

THE PUBLIC AS PRINCIPAL

Your question (6) regarding “intended user” leads me to suggest that the “public” be considered a principal for purposes of the precepts and ASOP’s with respect to public sector work, and for public service work.

Public Service Work

Examples of public service work would include the various issues briefs and reports produced by the Academy, the Society, or others, released with the intent of informing the public on the actuarial aspects of a topic.

The “public” is the public as generally and broadly construed: a collection of geographically or politically related people with an interest in the topic at hand, but who have neither an employer nor consulting engagement interest in the production of the public service work product.

Current practice and interpretation of the precepts and ASOP’s does not consider the public to be a principal. I say this because the precepts do not clearly indicate that the “public” should be considered a principal. Discussion with, and (non-definitive) guidance from the ABCD indicate that the public need not be considered a principal for public service work.

I feel this interpretation is wrong. Although public service work clearly results in an actuarial communication, the precepts define an actuarial communication with respect to actuarial services, which are defined as being provided to a principal. Without a principal, the precepts do not apply, and the public service work is without standards.

While it should be obvious that this is harmful to the profession and the public, I am particularly concerned about self-censorship (the omission of significant items due to political considerations by the producer of the public service work product.)

Public Pension Funding and Similar Work

I am a health actuary, so the specifics of this issue are outside of my scope of practice. However, a recent article by Tia Sawhney highlights a number of situations where the actuarial work product fails to adequately serve the public. Since the public is not identified as a principal, the public pension client can define a censored scope of services. Since the ASOP's are not sufficiently prescriptive, a gap in useful information results.

The broad public (and not merely their governmental representative) might be considered (as voters and taxpayers) as a principal under the precepts. However, making this explicit would make explicit the actuary's duty to the "public as principal." The public has the interest of a principal in understanding the true cost of these programs.

This suggestion inevitably leads to a more prescriptive set of standards, and I will leave it to the pension actuaries to the suggested content of a standard report.

Will/would more prescriptive standards result in significant additional work and costs? I believe the answer is resoundingly "No!" My understanding is that the bulk of pension calculations are performed by software packages which incorporate the most common calculations and standard tables. Bringing non-compliant public pension funding reports up to a new standard would primarily require standard calculations which are readily available, but which those plans have avoided. I apologize if I am too naïve in this belief.

Precept 1 refers to the profession's responsibility to the public, and Precept 5 requires that the Principal be identified. At times, the public *is* the Principal, and should be recognized as such.

If you have any questions, please contact me at (715) 381-1345.

Respectfully submitted,



Timothy M. Ross, FSA, MAAA